

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- **Housing starts** fell 6.2% in August from the July level. August starts marked the lowest level of activity since January 1991. Starts were 33.1% below the level in August 2007 and down 60.6% from the January 2006 peak. Over the last 50 years, only six months have exhibited a lower level of housing starts than the August reading.
- The **University of Michigan's Index of Consumer Sentiment** rose slightly, from 61.2 in July to 63.0 in August, but was still down 24.5% from the year-ago level. While the Index reading improved, sentiment remained near the lowest levels reported in 20 years. A majority of consumers reported worsening finances for a third consecutive month, the first time three months of consecutive declines have been reported in the 62 years the survey has been conducted.
- The **U.S. unemployment rate** increased from 5.7% in July to 6.1% in August, reflecting an increase in the labor force of 250,000 individuals and the loss of 592,000 jobs compared with July. The increase in the unemployment rate was the third increase in four months. August's 6.1% unemployment rate was the highest since September 2003 and is up significantly from the 4.8% reported in February.
- The **U.S. Consumer Price Index** for August fell at an annual rate of 1.6% from the July level but was still 5.4% above the level one year ago. The monthly decline was dominated by declines in energy and housing prices. Despite the decline, energy prices were still 27.2% above the level one year ago. Food prices were up 6.1% from August 2007.



- **Average weekly earnings** were lower in most sectors in August and the rate of decline generally exceeded the reduction in **average weekly hours**. Compared with one year ago, August earnings increased in only the nondurable manufacturing, financial activities, and information sectors. Declines exceeded 3.0% in the manufacturing, wholesale trade, and leisure and hospitality sectors; with motor vehicle parts manufacturing exhibiting the largest decline, falling 7.2%.
- **Michigan's unemployment rate** increased from 8.5% in July to 8.9% in August, the highest level since September 1992. In August 2007, the unemployment rate was 7.2%. Compared with one year ago, employment was down 150,000, while 73,000 fewer people remained in the labor force and the number unemployed was up by 77,000.
- Seasonally adjusted **Michigan motor vehicle production** dropped markedly in August from the July level, reversing the gains experienced in the last two months. Total August production was down 35.9% from one year ago, with truck production down 59.8%. Compared with July, automobile production was 33.3% lower while light truck production was down 26.5%.



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U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

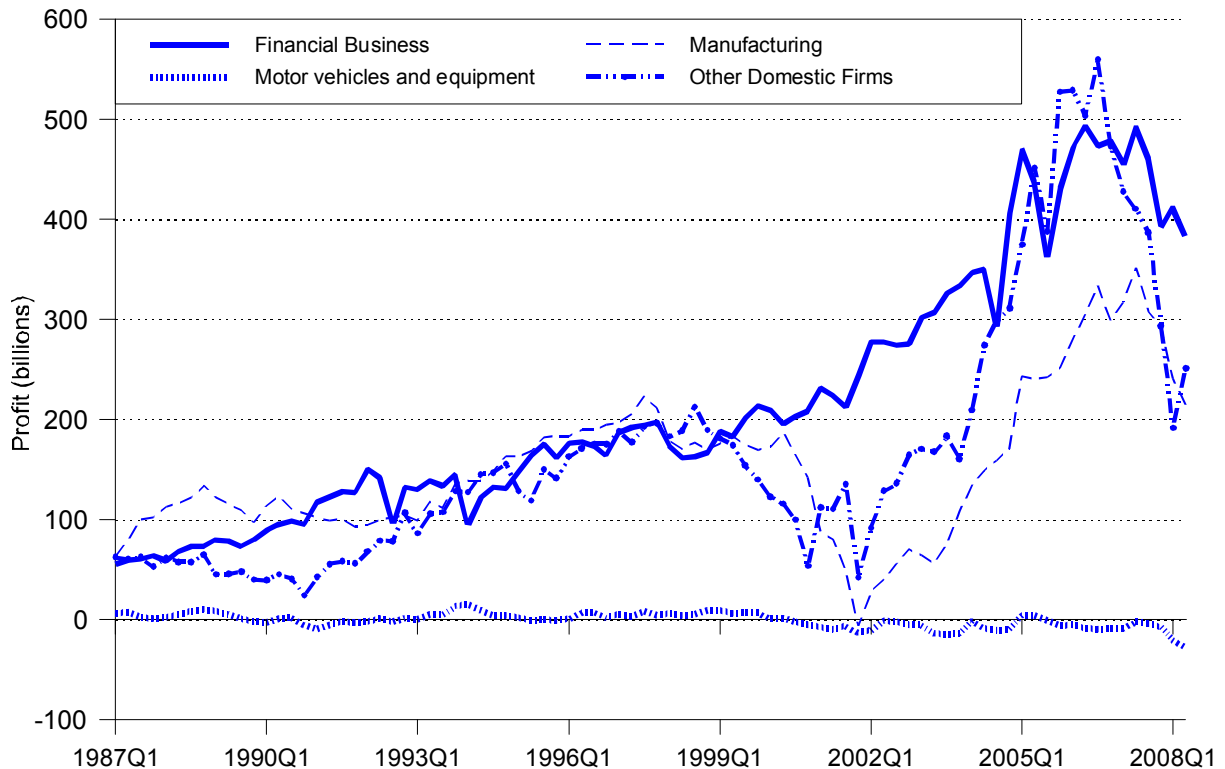
U.S.	Aug. 2008	July 2008	Aug. 2007	<u>Change from July</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	154,853	154,603	152,886	250	0.2%	1,967	1.3%
Employment	145,477	145,819	145,753	(342)	(0.2)	(276)	(0.2)
Unemployment	9,376	8,784	7,133	592	6.7	2,243	31.4
Unemployment Rate	6.1%	5.7%	4.7%	---	---	---	---

Michigan	Aug. 2008	July 2008	Aug. 2007	<u>Change from July</u>		<u>Change from Year Ago</u>	
				Number	Percent	Number	Percent
Labor Force	4,943	4,959	5,016	(16)	(0.3)%	(73)	(1.5)%
Employment	4,504	4,540	4,654	(36)	(0.8)	(150)	(3.2)
Unemployment	439	419	362	20	4.8	77	21.2
Unemployment Rate	8.9%	8.5%	7.2%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

U.S. Corporate Profits, By Sector

Most Industries Down After Large Surge in the Mid-2000s



Source: Bureau of Economic Analysis, U.S. Department of Commerce

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Aug. 2008*	July 2008	Aug. 2007	<u>Change from July</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Wage & Salary Jobs	4,197	4,217	4,267	(20)	(0.5)%	(70)	(1.6)%
Goods Producing Industries	731	752	788	(20)	(2.7)	(57)	(7.2)
Natural Resources & Mining	7	7	8	(0)	(1.4)	(0)	(3.9)
Construction	149	149	165	(0)	(0.1)	(16)	(9.7)
Manufacturing	575	595	615	(20)	(3.4)	(40)	(6.5)
Transportation Equipment	170	187	206	(17)	(9.3)	(37)	(17.7)
Service Producing Industries	3,465	3,465	3,479	1	0.0	(13)	(0.4)
Trade, Transportation & Utilities	780	780	787	0	0.0	(6)	(0.8)
Information	64	64	66	0	0.0	(2)	(3.2)
Financial Activities	206	207	211	(1)	(0.5)	(5)	(2.3)
Professional & Business Services	569	571	571	(2)	(0.4)	(2)	(0.3)
Education & Health Services	607	606	597	1	0.1	10	1.7
Leisure & Hospitality Services	404	403	405	1	0.3	(1)	(0.2)
Other Services	176	176	178	(0)	(0.1)	(2)	(1.0)
Government	660	659	666	2	0.3	(6)	(0.8)

Source: Bureau of Labor Statistics, U.S. Department of Labor

* Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Aug. 2008	Year Ago	Percent Change	Aug. 2008	Year Ago	Percent Change
Construction	36.2	37.3	(2.9)%	\$793.14	\$811.28	(2.2)%
Manufacturing	42.3	43.2	(2.1)	920.87	951.70	(3.2)
Durable Goods	43.9	45.1	(2.7)	1,032.53	1,072.93	(3.8)
Transportation Equipment Mfg.	43.5	44.9	(3.1)	1,218.00	1,275.61	(4.5)
Motor Vehicle Parts Mfg.	42.2	44.4	(5.0)	1,082.85	1,167.28	(7.2)
Nondurable Goods	37.2	37.2	0.0	571.76	569.53	0.4
Wholesale Trade	38.7	39.3	(1.5)	739.94	764.39	(3.2)
Retail Trade	30.8	31.4	(1.9)	378.84	389.67	(2.8)
Food & Beverage Stores	27.3	29.4	(7.1)	303.30	305.76	(0.8)
Information	33.1	34.2	(3.2)	751.37	724.70	3.7
Financial Activities	34.8	34.3	1.5	674.08	638.32	5.6
Professional & Business Services	33.9	35.0	(3.1)	661.39	677.95	(2.4)
Health Care & Social Assistance	34.4	36.4	(5.5)	599.59	614.07	(2.4)
Leisure & Hospitality	22.4	23.6	(5.1)	207.42	214.29	(3.2)
Accommodation & Food Services	22.5	23.6	(4.7)	201.83	208.15	(3.0)

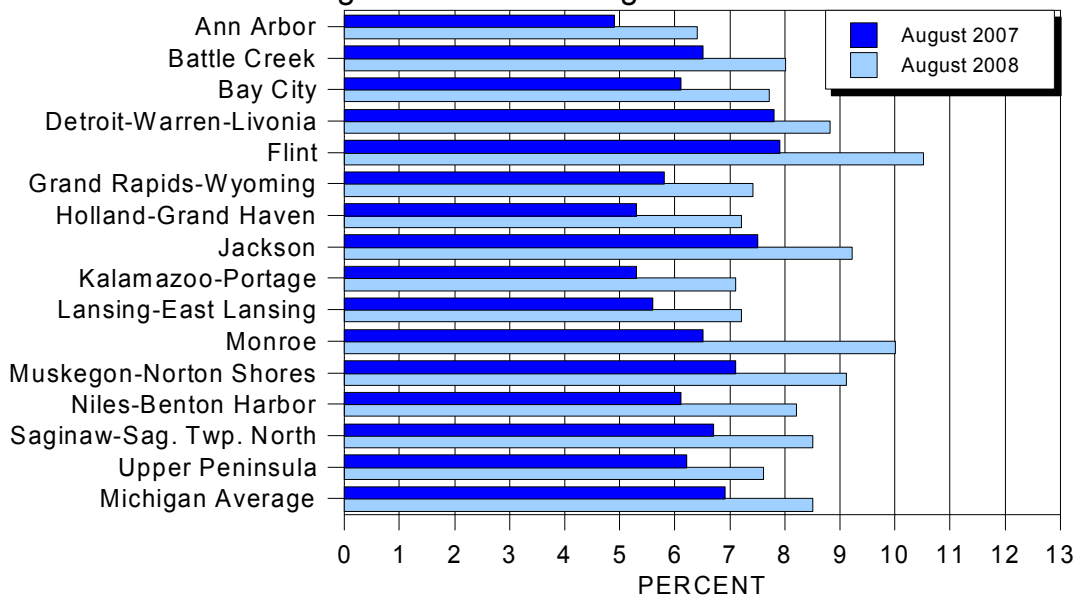
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	August 2008	July 2008	June 2008	August 2007
Metropolitan Statistical Areas				
Ann Arbor	6.4%	6.9%	6.3%	4.9%
Battle Creek	8.0	8.8	7.8	6.5
Bay City	7.7	8.5	7.8	6.1
Detroit-Warren-Livonia	8.8	9.4	9.7	7.8
Flint	10.5	12.3	9.7	7.9
Grand Rapids-Wyoming	7.4	8.0	7.1	5.8
Holland-Grand Haven	7.2	7.7	7.2	5.3
Jackson	9.2	9.7	8.6	7.5
Kalamazoo-Portage	7.1	7.8	6.9	5.3
Lansing-East Lansing	7.2	7.7	7.2	5.6
Monroe	10.0	10.8	8.3	6.5
Muskegon-Norton Shores	9.1	9.9	8.5	7.1
Niles-Benton Harbor	8.2	9.0	8.0	6.1
Saginaw-Saginaw Twp North	8.5	9.5	8.4	6.7
Multi-County Areas				
Northeast Lower Michigan	9.3	9.9	9.2	7.5
Northwest Lower Michigan	8.0	8.3	7.6	6.2
Upper Peninsula	7.6	7.9	7.9	6.2
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	8.5	9.1	8.7	6.9
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

August 2007 and August 2008



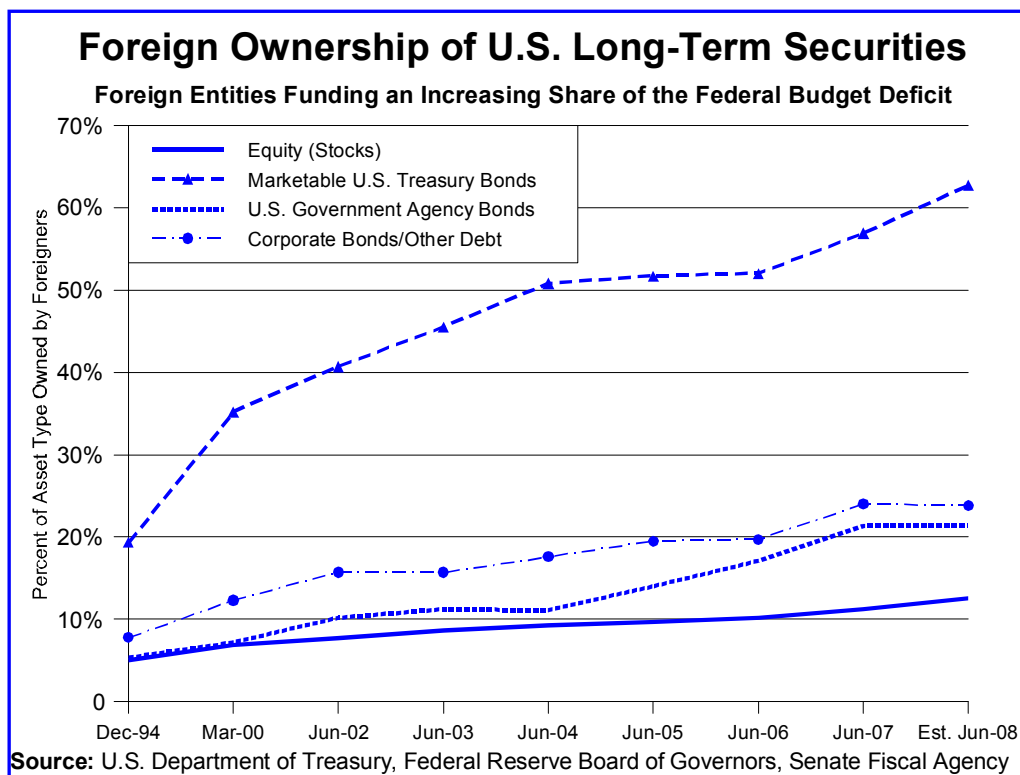
Source: Michigan Department of Labor and Economic Growth

MOTOR VEHICLE SALES AND PRODUCTION STATISTICS (Thousands of Units)

	Aug. 2008	July 2008	June 2008	May 2008	Year Ago August	Percent Change From:	
						Aug./July	Aug. 2008/ Aug. 2007
Motor Vehicle Sales¹⁾ (thousands of units, SAAR)							
Autos	6,764	6,911	7,536	7,879	7,426	(2.1)%	(8.9)%
Domestics	4,492	4,439	4,876	5,269	5,170	1.2	(13.1)
Imports	2,272	2,472	2,660	2,610	2,256	(8.1)	0.7
Import Share	33.6%	35.8%	35.3%	33.1%	30.4%	---	---
Light Trucks	6,929	5,600	6,093	6,333	8,801	23.7	(21.3)
Domestics	5,931	4,618	5,062	5,189	7,498	28.4	(20.9)
Imports	998	982	1,031	1,144	1,303	1.6	(23.4)
Import Share	14.4%	17.5%	16.9%	18.1%	14.8%	---	---
Subtotal: Light Vehicle Sales	13,693	12,511	13,629	14,212	16,227	9.4	(15.6)
Heavy Trucks	277	287	320	325	338	(3.5)	(18.0)
Total Vehicle Sales	13,970	12,798	13,949	14,537	16,565	9.2	(15.7)
U.S. Motor Vehicle Production¹⁾ (millions of units, SAAR)							
Autos	4,116	4,678	3,744	3,616	3,934	(12.0)	4.6
Michigan Motor Vehicle Production²⁾ (thousands of units, SAAR)							
Autos	1,060	1,591	1,030	1,005	1,099	(33.3)	(3.5)
Trucks	601	817	972	665	1,493	(26.5)	(59.8)
Total	1,661	2,408	2,002	1,670	2,592	(31.0)	(35.9)
Michigan Production as % of U.S.	20.8%	17.0%	21.1%	19.9%	21.4%	---	---
U.S. Motor Vehicle Inventories³⁾							
Total Car	1,173	1,156	1,235	1,264	1,282	1.4	(8.5)
Days Supply	49	47	43	41	48	4.3	2.1
Total Truck	1,644	1,846	1,967	1,915	1,847	(11.0)	(11.0)
Days Supply	74	98	95	90	65	(24.5)	13.8

SAAR = Seasonally Adjusted at Annual Rates.

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 3) Automotive News, Crain Communications, Inc. (ending inventory).



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Index of Consumer Sentiment , monthly ¹⁾ (1992=100)	Aug.	63.0	61.2	83.4	2.9%	(24.5)%
Oil Prices ²⁾ (\$ per barrel, West Texas Intermediate Crude)	Aug.	\$116.6	\$133.4	\$72.4	(12.6)	61.1
Housing Starts, U.S. ³⁾ (thousands of units, SAAR)	Aug.	895	954	1,337	(6.2)	(33.1)
Retail Sales, U.S. ³⁾ (billions, seasonally adjusted)	Aug.	\$342.5	\$343.6	\$338.2	(0.3)	1.3
Industrial Production Index ⁴⁾ (1997=100, seasonally adjusted)	Aug.	110.3	111.6	112.0	(1.1)	(1.5)
Capacity Utilization ⁴⁾ (% of total capacity, seasonally adjusted)	Aug.	78.7	79.7	81.2	(1.2)	(3.1)
Consumer Price Index ⁵⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Aug.	218.9	219.2	207.7	(1.6)	5.4
Detroit (not seasonally adjusted)	Aug.	209.5	207.6	199.7	5.6	4.9
Interest Rates						
3-month Treasury Bill ⁴⁾	Aug.	1.79%	1.72%	4.34%	---	---
Corporate Aaa Bonds ⁴⁾	Aug.	5.64%	5.67%	5.79%	---	---
Real Gross Domestic Product ⁶⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2008 2nd Qtr.	\$11,727.4	\$11,646.0	\$11,491.4	2.8	2.1
Michigan Tax Collections ⁷⁾ (12 major taxes, millions)	Aug. 2008	\$1,591.1	\$1,945.6	\$1,617.3	NM	(1.6)

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

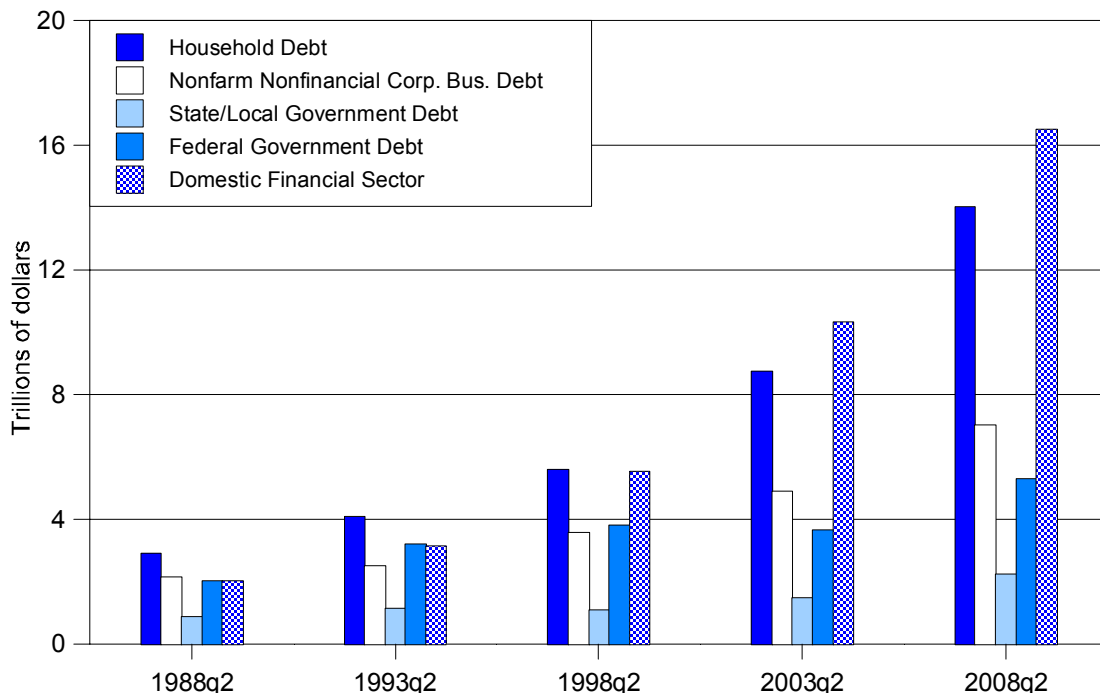
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Reuters/University of Michigan Surveys of Consumers. 2) Dow Jones & Company/Federal Reserve Bank of St. Louis.

3) U.S. Department of Commerce, Bureau of the Census. 4) Board of Governors of the Federal Reserve System. 5) U.S. Department of Labor, Bureau of Labor Statistics. 6) U.S. Department of Commerce, Bureau of Economic Analysis. 7) Michigan Department of Treasury and the Senate Fiscal Agency.

Outstanding Debt By Sector

Financial Sector Debt Has Grown the Most, Exceeds Consumer Debt



Source: Federal Reserve Board of Governors